DEPARTMENT OF BUSINESS REGULATION

SECURITIES DIVISION

401-462-9527

NEW REGISTRATION RULES SET FOR INVESTMENT ADVISERS

The Securities Division wishes to alert investment advisers licensed in the State to the new federal rules that affect how certain investment advisers are regulated.

The Dodd-Frank Act (the "Wall Street Reform and Consumer Protection Act') made significant changes to the regulation of investment advisers and instructed the U.S. Securities and Exchange Commission to develop rules to implement those changes.

According to the SEC's final rules, small- and mid-sized investment advisers[1] with assets under management of less than $100 million will be regulated by state securities regulators. Previously, state regulators were responsible only for investment advisers with assets under management below $25 million. Investment advisers with assets under management of more than $100 million will be regulated by federal securities regulators.

Generally, mid-sized investment advisers will be prohibited from registering with the SEC, and will have to register with the appropriate state securities regulator unless exempt[2].

The SEC's final rules also set deadlines for investment advisers to submit their Form ADV and, if required, deregister with the SEC. These rules establish a deadline of **March 30, 2012** by which each adviser must determine whether it is eligible for SEC registration and file an amended FORM ADV. The rules also provide an additional ninety days for advisers no longer eligible for SEC registration to register with the appropriate state(s) and withdraw SEC registration. The deadline for state registration and SEC withdrawal deadline will be **June 28, 2012**.[3]

The SEC also adopted a federal registration "buffer" for a narrow category of mid-sized investment advisers. Under the final rules, an investment adviser with assets under management between $100 million and $110 million may remain registered with the SEC even if its later assets under management total falls below the $100 million threshold. If that adviser's assets under management drop below $90 million the adviser must withdraw its registration and either register with the state(s) or find an exemption.

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[1] The new SEC Rules define Mid-Size Investment Advisers as having assets under management of between $25 million and $100 million.

[2] An investment adviser required to register with 15 or more states may register with the SEC.

[3] The final rules are on the SEC website at: http://www.sec.gov/rules/final/2011/ia-3221.pdf.